

## Community resources

[Follow us on Twitter](#) [Check our Reddit](#) [Twitter this](#) [Digg this page](#) [Contact us on IRC](#)

*courage is contagious*

## Viewing cable 08ROME525, C) DELIVERING TOUGH MESSAGES TO ENI CEO PAOLO

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

### Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#08ROME525**.

Reference ID	Created	Released	Classification	Origin
<a href="#">08ROME525</a>	<a href="#">2008-04-24 14:28</a>	<a href="#">2011-08-30 01:44</a>	<a href="#">CONFIDENTIAL</a>	<a href="#">Embassy Rome</a>

Appears in these articles:

<http://www.mcclatchydc.com/2011/05/16/114269/wikileaks-cables-show-oil-a-major.html>

VZCZCBSO474  
PP RUEHBS  
DE RUEHRO #0525/01 1151428  
ZNY CCCCC ZZH  
P 241428Z APR 08  
FM AMEMBASSY ROME  
TO RUEHC/SECSTATE WASHDC PRIORITY 0233  
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY  
RUEHBW/AMEMBASSY BELGRADE PRIORITY 0347  
RUEHMO/AMEMBASSY MOSCOW PRIORITY 4422  
RUEHBS/USEU BRUSSELS PRIORITY 4626  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 04 ROME 000525

SIPDIS

DEPARTMENT FOR EUR DAS BRYZA  
DEPARTMENT FOR E EURASIAN ENERGY COORDINATOR STEVEN MANN  
NSC FOR DEPUTY NSA JEFFREY  
DEPARTMENT FOR P STAFF  
USEU FOR SPECIAL ENVOY GRAY

E.O. 12958: ...

SUBJECT: (C) DELIVERING TOUGH MESSAGES TO ENI CEO PAOLO

REF: A) ROME 451 B) 07 STATE 16018

Classified By: ECONOMIC MINISTER COUNSELOR TOM DELARE  
FOR REASONS 1.4 B AND D

11. (C) SUMMARY: During his May 5-6 visit to Washington, Post believes it would be helpful to U.S. interests if Eni CEO Paolo Scaroni is told very clearly of serious USG concerns about 1) his company's close collaboration with Russia's Gazprom and 2) his company's continuing involvement in Iran. Eni is now a major collaborator in what many see as Gazprom's efforts to dominate the European energy market; Eni hopes to build Gazprom's South Stream pipeline, a project that threatens to scuttle the USG- and EU-supported Nabucco project. Eni recently gave Gazprom increased access to North African natural gas fields. Eni maintains long-standing investments in Iran. Post is preparing to push the new Berlusconi government to use its equity stake in Eni and moral suasion to force Eni to make major changes in its involvement with Gazprom and Iran. Scaroni has returned from previous visits to Washington with the impression that Eni's business activities were not matters of grave concern for us. It would be very useful if he returns from this trip with raised awareness about USG unhappiness with his company. Scaroni has appointments with U/S Jeffery and U/S Levey, and tentative appointments with Acting U/S Fried, and Deputy NSA Jeffrey -- Embassy Rome recommends that these tentative appointments be confirmed. END SUMMARY.

-----  
SCARONI HOPES TO "MAKE ENI'S CASE" IN WASHINGTON  
-----

12. (SBU) On March 4, 2007, Ambassador Spogli spoke on energy security to a group led by Giulio Tremonti, the man widely expected to be Silvio Berlusconi's Economy Minister. The Ambassador spoke of the dangers of over-reliance on Gazprom and of the need to diversify Europe's sources of energy. The Italian energy giant (and parastatal) Eni, was not mentioned explicitly in the speech, but Eni knew we were talking about them. Eni reps contacted us immediately, asking for the chance to "clarify misunderstandings" about their relationship with the Russians. REF A reports on the briefing an ENI Vice President gave to Econ Counselor. Eni CEO Scaroni later called the Ambassador and asked for help in getting Washington meetings for May 5-6. Scaroni traveled to Brussels April 16 as part of the same effort to "clear up misunderstandings."

-----  
WHAT SCARONI NEEDS TO HEAR: USG UNHAPPY WITH GAZPROM  
COLLABORATION, AND IRAN SUPPORT  
-----

13. (C) Post would like to push the new Berlusconi government to force Eni to act less as a stalking horse for Gazprom interests. Eni (which is 30 percent owned by the Government of Italy) seems to be working in support of Gazprom's efforts to dominate Europe's energy supply, and against U.S.-supported EU efforts to diversify energy supply. We think we have a chance of turning that around. Giulio Tremonti has told Ambassador Spogli that "Eni has gone too far" in its collaboration with Gazprom.

-----  
IMMEDIATE CONCERNS  
-----

¶4. (C) Of immediate concern is Eni's proposed construction of Gazprom's South Stream Black Sea pipeline, a project that threatens to scuttle Nabucco, the USG- and EU- supported effort to bring Caspian gas to Europe. Eni is much more than a mere contractor on this project -- on South Stream it is a 50/50 equity partner with Gazprom. A senior Eni official recently told us that due to difficulty in reaching agreements with Serbia and Romania, Eni thinks there is now only a 60 percent chance that South Stream will actually be built (see REF A). We think that a strong statement of USG unhappiness with the project might further increase the odds against Eni building this pipeline.

¶5. (SBU) Eni will argue that South Stream does not threaten Nabucco. We have pointed out to Eni that Putin himself seems to think that it does. (See Eurasia Daily Monitor, 5 March 2008). Also, Gazprom CEO Alexi Miller stated on February 25, 2008 that South Stream "obviates" the need for Nabucco. Our position on South Stream's impact on European energy diversification was clearly stated by DAS Bryza on February 26, 2008: "South Stream definitely does not strengthen diversification. It strengthens dependence on one supplier." (See interview with DAS Bryza on USEU web page.)

¶6. (SBU) Eni recently announced an agreement with Gazprom under which Eni would give the Russians access to natural gas fields in North Africa in exchange for increased Eni access to gas fields in Russia. COMMENT: North African natural gas is often seen as an opportunity for Italy and Europe to diversify away from dependence on Russian gas. Giving Gazprom control of North African fields clearly does damage to EU energy diversification efforts.

-----  
AND THEN THERE IS IRAN....  
-----

¶7. (C) Eni has been in Iran for decades. It currently provides natural gas that is used to pressurize Iranian petroleum wells. Eni has escaped U.S. Iran Sanctions Act punishment because of a U.S.-EU understanding that in effect exempted countries with "old" investments in Iran that do not expand their operations. Eni's continued presence in Iran has been an irritant in the U.S.-Italian relationship, and without doubt helps the Iranian regime. We would like to see Eni leave Iran. Scaroni is likely to say that one of the alternatives to Russia as an energy supplier is Iran. A firm expression of USG unhappiness with Eni's current relationship with Iran is thus very important.

-----  
SCARONI IS TAKING WASHINGTON'S TEMPERATURE  
-----

¶8. (C) Scaroni traveled to Washington February 2007 and met with officials at State and Treasury, including DEPSEC Kimmitt (see Ref B). Most of the discussions during this visit were focused on Iran. We have heard from contacts here that the purpose of Scaroni's trip was essentially to take Washington's temperature and to make sure he had an understanding of where our "red lines" were regarding his company's Iranian operations. Scaroni reportedly came back from that trip convinced that his company was in no danger of crossing any U.S. red-lines. He almost certainly has a similar purpose in this upcoming visit; his staff tells us he

wants to talk about Russia, Iran, and about Eni's recent deal with Venezuela.

¶19. (C) Eni clearly has been trying to monitor USG reactions to its moves. On January 30, 2008, Eni VP for international affairs Enzo Viscuzi asked a senior USG official about USG reaction to Eni's involvement in the South Stream project, and asked if the USG is "mad at Eni." We expect Scaroni to pose similar questions during this trip.

-----  
SCARONI, BERLUSCONI...AND RUSSIA  
-----

¶10. (C) Paolo Scaroni was made head of Eni in 2005 by then-Prime Minister Silvio Berlusconi, so there is a good chance he will remain head of Eni after Berlusconi again becomes Prime Minister in May. But Tremonti's comment about Eni having "gone too far" may indicate discontent about Scaroni at high levels in the Berlusconi camp. Recent press reports indicate that Scaroni will stay on after the change in government, but this has not been confirmed. Whether or not he stays, our work on this issue will be complicated by Silvio Berlusconi's close relationship with Vladimir Putin. Putin stopped off in Italy to visit Berlusconi on April 17, 2008 (en route home from Libya). Contacts in the Foreign Ministry tell us that they expect Berlusconi to take direct control of most important aspects of the Italy-Russian relationship.

-----  
SCARONI -- CORRUPTION ALLEGATIONS  
-----

¶11. (U) Scaroni's bio is available on the Eni web site, but officials meeting with Scaroni should also know that according to press reports, in 1992 he pleaded guilty to bribery (kickback) charges in connection with an electrical power station project in Brindisi. This was part of the massive "Tangentopoli" scandal that brought down Italy's post-war political parties. Scaroni was reportedly sentenced to one year and four months in prison, but apparently served no time.

¶12. (SBU) Other reports of Eni corruption are much more recent: Eni owns a 25 percent share in the TSKJ consortium. TSKJ is under investigation by the SEC due to alleged

SIPDIS  
improper payments to Nigerian officials. Also, in March 2008, British and Italian authorities launched a corruption probe regarding the sale of a large mobile phone system in Italy. Officers of the Italian energy parastatal ENEL allegedly received kickbacks from the Egyptian firm that was allowed to buy the system. Scaroni was CEO of ENEL at the time of this sale.

-----  
SUGGESTED TALKING POINTS  
-----

¶13. (U) Post suggest the following talking points for use with Eni CEO Paolo Scaroni:

-- The U.S. government remains deeply concerned about Eni's involvement in Iran.

-- Our displeasure with Eni has been intensified in recent months by the way in which your company is collaborating with Gazprom's efforts to obtain a dominating position on the EU's energy supply.

-- The USG strongly supports EU efforts to diversify the EU's sources of energy supply. We are encouraging the development of the Nabucco pipeline, a project that will bring Caspian gas to the EU. But your company is poised to build Gazprom's South Stream pipeline, a project seen by many as a Russian effort to scuttle Nabucco.

-- We are also concerned about your role in giving Gazprom greater access to North African natural gas fields; along with Caspian gas, these fields are among the only other major alternative sources of natural gas for Europe.

-- You should understand that on two of our most important Eurasian security issues, we see your company as taking very short-sighted commercial decisions. We find it particularly disturbing that these positions are being taken by a company that is 1/3 owned by the Italian government.

-- We strongly urge Eni to re-consider its participation in the South Stream project, and, in a broader sense, we urge Eni to align its policy's and programs with EU efforts to diversify sources of energy supply. We also strongly recommend that you end your collaboration with the Iranian regime.

-- You should not interpret our concerns as being anti-Russian. However, we think Europe should diversify its sources of energy, and we are concerned that in its partnership with Gazprom (a firm that often seems to be an arm of government action) your company is not working in support of this objective.

-- You should know that we have similar concerns about other powerful market actors that, like Gazprom, do not have transparent decision processes.

-----  
COMMENT  
-----

¶13. (C) The current South Stream vs. Nabucco situation is eerily reminiscent of a similar struggle during the 1990s: In an effort to delay or prevent the construction of a trans-Caspian pipeline that could have helped bring Caspian gas to Europe, the Russians pushed forward their Blue Stream project (under the Black Sea). The Russians built Blue Stream not for commercial reasons (it always seemed like a money loser) but for strategic reasons (to stop the trans-Caspian pipeline). The Russians succeeded: Eni built Blue Stream, and the Trans-Caspian pipeline has never been built. Eni is now preparing to play a very similar role in another Russian strategic pipeline project, this time as an equity partner with Gazprom in the South Stream effort aimed at stopping Nabucco.

¶14. (C) Ambassador Spogli has made energy security one of Embassy Rome's top priorities. The election of the new Italian government, along with Eni's parastatal status, presents us with an opportunity to address what is clearly the most important Italian piece of the European energy security puzzle: Eni's role as facilitator for Gazprom's efforts to gain a semi-monopolistic and politically influential position in the European energy market. We would like to try to use our influence with the GOI (and with Eni) to change that, and to induce Eni to cooperate (not counteract) EU energy security efforts.

¶15. (C) We are still between governments in Italy, and many decision makers are not yet in place, Nevertheless, we have some reasons to think we might have some success in pushing a cautionary approach on Eni and Gazprom when we engage with the new Berlusconi team. Berlusconi is close to Putin, and that may be a problem, However, Berlusconi's people have been talking quite a bit about energy security, and this may provide an opening. Tremonti seems especially seized with this issue, and (as noted) has expressed unhappiness with Scaroni's approach to Gazprom. We were surprised to find Eni itself so uncertain about whether South Stream would actually be built. They seem to be "on the fence" regarding this project -- perhaps we can make them even more uncertain about it, and about the wisdom of their alliance with Gazprom. Eni also seems deeply concerned about the consequences of angering us -- the company has significant investments in the United States. It would be very helpful if Scaroni hears of our deep dissatisfaction (as outlined above).

¶16. (U) We understand Scaroni has a confirmed appointment with U/S Jeffery and U/S Levy, and tentative appointments with Acting U/S Fried and Deputy NSA Jeffrey. Post strongly recommends that these appointments be confirmed.

SPOGLI  
"